

## Press release

### Linde achieves its growth targets despite economic headwind and again announces increase in dividend exceeding earnings growth

- 2016 financial year:
  - Group revenue<sup>1</sup>: EUR 16.948 bn; up 0.2 percent after adjusting for exchange rate effects
  - Group operating profit<sup>2,3</sup>: EUR 4.098 bn; up 2.7 percent after adjusting for exchange rate effects
  - Group margin increases to 24.2 percent (2015: 23.6 percent)
  - Operating cash flow remains at a high level at EUR 3.400 bn
- Due to planned sale, Gist is not included in Group figures
- Increase in dividend by 7.2 percent to EUR 3.70 per share proposed
- Group outlook for 2017: Linde is seeking to achieve a 3 percent increase in Group revenue after adjusting for exchange rate effects, although the challenging market environment could result in a decrease of up to 3 percent; Group operating profit expected to be at similar level to that achieved in 2016 or to increase by up to 7 percent
- Preparations for merger with Praxair are on schedule
- Change on the Supervisory Board: Dr Thomas Enders proposed to be elected to the Supervisory Board at this year's AGM; Michael Diekmann to resign from his seat on the Linde Supervisory Board

Munich, 9 March 2017 – The technology company The Linde Group delivered a solid performance in the 2016 financial year, achieving increases in both Group revenue and Group operating profit after adjusting for exchange rate effects. The company's performance was hampered by the lower contribution made to revenue by the Engineering Division in 2016 compared with 2015 and by adverse exchange rate effects.

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<sup>1</sup> Group revenue from continuing operations. Due to the planned sale of Gist, that business (revenue: EUR 602 m) is disclosed in the 2016 financial year in discontinued operations.

<sup>2</sup> Group operating profit from continuing operations. Due to the planned sale of Gist, that business (operating profit: EUR 44 m) is disclosed in the 2016 financial year in discontinued operations.

<sup>3</sup> EBIT (before special items) adjusted for amortisation of intangible assets and depreciation of tangible assets.

"Despite the low price of oil and the economic headwind, we were able to meet expectations and achieve increases in revenue and earnings after adjusting for exchange rate effects, especially in a strong fourth quarter," said Professor Dr Aldo Belloni, Chief Executive Officer of Linde AG. "We have increased our Group margin and our operating cash flow has remained at a high level, so we have been able to maintain our dividend distribution which is geared towards continuity," explained Belloni.

The Executive Board and Supervisory Board will propose a resolution at the Annual General Meeting that a dividend of EUR 3.70 per share be paid. This is an increase of 7.2 percent compared with last year's dividend of EUR 3.45, and overproportional to the increase in operating profit.

"Our efforts to make Linde even more profitable are already having an impact. Following the implementation of numerous internal measures designed to enhance efficiency and save costs, we will be able to operate even more successfully in the market in the future," continued Belloni.

#### **Stable earnings power maintained in the 2016 financial year**

In the 2016 financial year, Group revenue from continuing operations was EUR 16.948 bn (2015: EUR 17.345 bn). Linde was able to maintain its stable earnings power and achieve a slight increase in Group operating profit from continuing operations in the 2016 financial year to EUR 4.098 bn, compared with the prior-year figure of EUR 4.087 bn. Due to the planned sale of Gist in 2017, the revenue and operating profit contributed by this division have been reported as a discontinued operation and are therefore not included in the Group figures for 2016. This resulted in a reduction in Group revenue of EUR 602 m and in Group operating profit of EUR 44 m for the past financial year.

When comparing 2016 to 2015, the lower contribution to revenue made by the Engineering Division had an impact on Group revenue – as did adverse exchange rate effects. After adjusting for these exchange rate effects, Group revenue was 0.2 percent higher than in 2015. Linde even achieved an increase in Group operating profit after adjusting for exchange rate effects of 2.7 percent. At 24.2 percent, the Group operating margin was 60 basis points above the prior-year figure of 23.6 percent. One factor contributing to this improvement were efficiency

improvement measures introduced back in 2015 (the Focus Programme). In the three-year period from 2015 to 2017, this programme is expected to reduce costs by a total of up to EUR 180 m. In 2016, Linde launched another Group-wide efficiency programme called LIFT. Through this three-year programme, additional cost savings of around EUR 370 m per annum should be achieved. In total, annual savings of around EUR 550 m should be achieved from 2019.

Profit for the year was EUR 1.327 bn (2015: EUR 1.236 bn), giving earnings per share for continuing operations of EUR 6.50 (2015: EUR 6.10). In the 2016 financial year, return on capital employed (ROCE) was 9.4 percent (2015: 9.5 percent). At EUR 3.400 bn, operating cash flow remains at a high level (2015: EUR 3.583 bn).

### **Margin in the gases business rises by 90 basis points**

In the Gases Division, revenue fell in the 2016 financial year by 1.8 percent to EUR 14.892 bn (2015: EUR 15.168 bn). After adjusting for exchange rate effects and changes in the price of natural gas, revenue increased by 1.4 percent. Operating profit in the Gases Division rose by 1.4 percent to EUR 4.210 bn (2015: EUR 4.151 bn), giving an operating margin of 28.3 percent (2015: 27.4 percent).

Varying business trends were to be seen in the individual segments in the Gases Division, depending on prevailing economic conditions.

In the **Americas segment**, revenue rose by 0.9 percent to EUR 5.232 bn (2015: EUR 5.183 bn). On a comparable basis, the increase in revenue was 2.7 percent. Operating profit increased by 1.6 percent in the 2016 financial year to EUR 1.319 bn (2015: EUR 1.298 bn). The operating margin rose to 25.2 percent (2015: 25.0 percent). A variety of effects in different directions had an impact on revenue and earnings trends. In the Healthcare business in North America, price reductions as a result of government tenders came into force at the beginning of 2016, an effect which intensified after 1 July 2016. Some of these price reductions were then postponed in December 2016 to the beginning of January 2017. This meant that results were better than expected especially in the fourth quarter of 2016. The adverse impact of these price reductions was countered by the acquisition of the company American HomePatient, Inc., which specialises in respiratory therapies, and by the increase in the number of patients cared for by Linde. In addition, Linde sold two Lincare subsidiaries in the third quarter of 2016. As expected, this had an adverse impact on revenue in the Healthcare product area. In North America, the on-site business performed particularly well. In South America, economic conditions in 2016 remained subdued.

In the **EMEA segment** (Europe, Middle East, Africa), revenue in the 2016 financial year was EUR 5.736 bn, which was 4.6 percent below the figure for 2015 of EUR 6.010 bn. Here too, adverse exchange rate effects need to be taken into account. On a comparable basis, revenue was at a similar level to that seen in the prior year. Operating profit in the EMEA region improved slightly to EUR 1.807 bn (2015: EUR 1.790 bn). Efficiency improvement measures in the UK and Scandinavia which formed part of the LIFT programme started to generate cost savings. Income from changes to pension plans and profits on the disposal of non-current assets also contributed to the slight increase in operating profit. The operating margin rose to 31.5 percent (2015: 29.8 percent).

Positive trends were to be seen in the EMEA segment in the Healthcare product area, which offers a range of medical gases and medical services. In the Middle East, Eastern Europe and Scandinavia, Linde also continued to grow. On the other hand, conditions were challenging in the British steel sector and in South Africa.

In the **Asia/Pacific segment**, revenue fell in 2016 by 1.2 percent to EUR 4.109 bn, mainly as a result of adverse exchange rate effects (2015: EUR 4.157 bn). On a comparable basis, revenue increased by 1.8 percent. Operating profit rose in the financial year by 2.0 percent to EUR 1.084 bn (2015: EUR 1.063 bn). The operating margin was 26.4 percent (2015: 25.6 percent).

All product areas in the Asia/Pacific segment saw positive trends, especially in South & East Asia and in China. In the South Pacific, the prevailing weak economic environment in manufacturing and declining investment in the mining industry had an adverse impact on growth. Linde is still applying the structural and organisational measures it had introduced in this region in order to continue to improve profitability.

#### **Order backlog in the Engineering Division remains solid**

Revenue and earnings trends in the plant construction business reflected the progress made on individual projects. Revenue in the Engineering Division fell in the financial year by 9.4 percent to EUR 2.351 bn (2015: EUR 2.594 bn). Operating profit also fell, from EUR 216 m in 2015 to EUR 196 m in 2016. At 8.3 percent, the operating margin remained the same as in the prior year. This is still above the industry average and in line with the target of around 8 percent that Linde had set itself for the 2016 financial year.

Order intake in 2016 was EUR 2.257 bn (2015: EUR 2.494 bn). As a result of persistently low oil and gas prices, faltering demand was again to be seen in the plant construction sector in 2016. At 31 December 2016, the order backlog remained solid at EUR 4.386 bn (2015: EUR 4.541 bn).

### **Outlook**

Linde expects the market environment to continue to be challenging in the 2017 financial year. Recent economic forecasts indicate that the global gases market will grow at a similar rate in 2017 to that seen in 2016. In contrast, the market environment in the international plant construction business could see a slight improvement, although it might continue to be beset by uncertainty.

For the Group as a whole, Linde is seeking to achieve an increase in revenue of 3 percent after adjusting for exchange rate effects, although the challenging market environment could result in a decrease of up to 3 percent. After adjusting for exchange rate effects, the Group expects its operating profit in 2017 to be similar to that achieved in 2016 or to increase by up to 7 percent. Based on the prevailing exchange rates as of 31 December 2016, this is equivalent to Group operating profit falling within the range from EUR 4.2 bn to EUR 4.5 bn, the target Linde set itself at the end of 2015.

In the Gases Division, Linde is seeking to achieve revenue in the 2017 financial year after adjusting for exchange rate effects which is up to 3 percent higher than in 2016, although the challenging market environment could result in a decrease of up to 2 percent. Operating profit in the Gases Division is expected to be similar to that achieved in 2016 or to increase by up to 6 percent. The expected range for revenue in the Engineering Division is between EUR 2.0 bn and EUR 2.4 bn, while the operating margin there is expected to be around 8 percent.

### **Proposed merger with Praxair, Inc.**

Preparations for the proposed merger of equals with US company Praxair are on schedule. The business combination agreement is endeavoured to be finalised by the end of April or beginning of May 2017.

### **Change on Linde AG Supervisory Board**

The Linde AG Supervisory Board will propose at this year's Annual General Meeting that Dr Thomas Enders (58) be elected as a member of the Supervisory Board from the end of the AGM on 10 May 2017.



At the same time, Michael Diekmann (62) will resign from his position as a member and Second Deputy Chairman of the Supervisory Board from the end of this year's Annual General Meeting and retire from the Board on that date. As planned, Diekmann is running for the Supervisory Board of Allianz SE on 3 May 2017 and if elected will be proposed as a candidate for the chairmanship of that Supervisory Board. Diekmann has been a member and Second Deputy Chairman of the Linde AG Supervisory Board since May 2003.

Dr Thomas Enders has been a member of the Board of Directors of Airbus SE since 2003 and its CEO since 2012. Enders said, "I am looking forward to this exciting opportunity, helping to shape Linde's international future and continuing the successful cooperation on the Supervisory Board of a high-tech company."

Michael Diekmann commented, "I wish Linde every success for the ongoing negotiations with Praxair about a merger of equals. The merger is a significant and important step. I would like to thank Professor Dr Reitzle for understanding that I have to reduce the number of offices I hold and will therefore be stepping down from the Linde AG Supervisory Board."

Professor Dr Reitzle, Chairman of the Linde AG Supervisory Board, added: "I would like to express my thanks to Michael Diekmann for the 14 years he has spent as a committed and very constructive Second Deputy Chairman of the Linde Supervisory Board and member of its committees. His expertise has been invaluable to the company. In particular, the contributions he has made in respect of the proposed merger, which have enabled the project to make great progress. With Tom Enders, the Linde AG Supervisory Board is gaining a highly-regarded industrial manager with a great deal of international experience. We are looking forward very much to working together."

Note: The 2016 Annual Report of The Linde Group is available online as a PDF:

[http://www.the-linde-group.com/en/news\\_and\\_media/publications/index.html](http://www.the-linde-group.com/en/news_and_media/publications/index.html)

To coincide with the publication of the financial statements, a webcast for analysts will take place today at 2 p.m. German time in English with Professor Dr Aldo Belloni, CEO of Linde AG, and Dr Sven Schneider, interim CFO of Linde AG. Journalists will have the opportunity to watch the webcast by following this link: <https://event.mescdn.com/linde/analyst-call-fy-2016>



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Information about sustainability at Linde can also be found in the Corporate Responsibility Report. In this report, Linde provides information about how the Group combines long-term economic value added with ecological and social responsibility: [www.linde.com/cr-report](http://www.linde.com/cr-report)

In the 2016 financial year, The Linde Group generated revenue of EUR 16.948 bn, making it one of the leading gases and engineering companies in the world, with approximately 60,000 employees working in more than 100 countries worldwide. The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business, with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

For more information, see The Linde Group online at [www.linde.com](http://www.linde.com)

### Further information:

Media Relations

Dr Frank Herkenhoff

Phone +49.89.35757-1320

Investor Relations

Bernard Wang

Phone +49.89.35757-1328

Matthias Dachwald

Phone +49.89.35757-1333

Eva Frerker

Phone +49.89.35757-1332

### Additional Information and Where to Find It

Should Praxair, Inc. ("Praxair") and Linde AG ("Linde") proceed with the proposed business combination transaction, Praxair and Linde expect that a newly formed holding company ("New Holdco") will file a Registration Statement on Form S-4 or Form F-4 with the U.S. Securities and Exchange Commission ("SEC") that will include (1) a proxy statement of Praxair that will also constitute a prospectus for New Holdco and (2) an offering prospectus of New Holdco to be used in connection with New Holdco's offer to acquire Linde shares held by U.S. holders. When available, Praxair will mail the proxy statement/prospectus to its stockholders in connection with the vote to approve the merger of Praxair and a wholly-owned subsidiary of New Holdco, and New Holdco will distribute the offering prospectus to Linde shareholders in the United States in connection with New Holdco's offer to acquire all of the outstanding shares of Linde. Should Praxair and Linde proceed with the proposed business combination transaction, Praxair and Linde also expect that New Holdco will file an offer document with the German Federal Financial Supervisory Authority (*Bundesanstalt fuer Finanzdienstleistungsaufsicht*) ("BaFin"). There can be no assurance that a binding definitive agreement will be reached between Praxair and Linde, and the consummation of any binding transaction will be subject to regulatory approvals and other customary closing conditions.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND THE OFFER DOCUMENT REGARDING THE PROPOSED BUSINESS COMBINATION TRANSACTION AND PROPOSED OFFER IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. You may obtain a free copy of the proxy statement/prospectus (if and when it becomes available) and other related documents filed by Praxair, Linde and New Holdco with the SEC on the SEC's Web site at [www.sec.gov](http://www.sec.gov). The proxy statement/prospectus (if and when it becomes available) and other documents relating thereto may also be obtained for free by accessing



Praxair's Web site at [www.praxair.com](http://www.praxair.com). Following approval by the BaFin, the offer document will be made available at BaFin's Web site at [www.bafin.de](http://www.bafin.de). The offer document (if and when it becomes available) and other documents relating thereto may also be obtained for free by accessing Linde's Web site at [www.linde.com](http://www.linde.com).

This document is neither an offer to purchase nor a solicitation of an offer to sell shares of New Holdco, Praxair or Linde. The final terms and further provisions regarding the public offer will be disclosed in the offer document after the publication has been approved by the BaFin and in documents that will be filed with the SEC. No money, securities or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. The information contained herein should not be considered as a recommendation that any person should subscribe for or purchase any securities.

No offering of securities shall be made except by means of a prospectus meeting the requirements of the U.S. Securities Act of 1933, as amended, and applicable European and German regulations. The distribution of this document may be restricted by law in certain jurisdictions and persons into whose possession any document or other information referred to herein come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No offering of securities will be made directly or indirectly, in or into any jurisdiction where to do so would be inconsistent with the laws of such jurisdiction.

#### Participants in Solicitation

Praxair, Linde, New Holdco and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Praxair's stockholders in respect of the proposed business combination. Information regarding the persons who are, under the rules of the SEC, participants in the solicitation of the stockholders of Praxair in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the proxy statement/prospectus if and when it is filed with the SEC. Information regarding the directors and executive officers of Praxair is contained in Praxair's Annual Report on Form 10-K for the year ended December 31, 2015 and its Proxy Statement on Schedule 14A, dated March 18, 2016, which are filed with the SEC and can be obtained free of charge from the sources indicated above.

#### Forward-looking Statements

This communication includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on our beliefs and assumptions on the basis of factors currently known to us. These forward-looking statements are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast, and similar expressions. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed business combination, integration plans and expected synergies, and anticipated future growth, financial and operating performance and results. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted or expected. No assurance can be given that these forward-looking statements will prove accurate and correct, or that projected or anticipated future results will be achieved. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: the expected timing and likelihood of the entry into, or the completion of the contemplated business combination, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the contemplated business combination that could reduce anticipated benefits or cause the parties



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not to enter into, or to abandon the transaction; the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed business combination agreement; the ability to successfully complete the proposed business combination and the exchange offer; regulatory or other limitations imposed as a result of the proposed business combination; the success of the business following the proposed business combination; the ability to successfully integrate the Praxair and Linde businesses; the possibility that Praxair stockholders may not approve the proposed business combination agreement or that the requisite number of Linde shares may not be tendered in the public offer; the risk that the parties may not be able to satisfy the conditions to closing of the proposed business combination in a timely manner or at all; risks related to disruption of management time from ongoing business operations due to the proposed business combination; the risk that the announcement or consummation of the proposed business combination could have adverse effects on the market price of Linde's or Praxair's common stock or the ability of Linde and Praxair to retain customers, retain or hire key personnel, maintain relationships with their respective suppliers and customers, and on their operating results and businesses generally; the risk that New Holdco may be unable to achieve expected synergies or that it may take longer or be more costly than expected to achieve those synergies; state, provincial, federal and foreign legislative and regulatory initiatives that affect cost and investment recovery, have an effect on rate structure, and affect the speed at and degree to which competition enters the industrial gas, engineering and healthcare industries; outcomes of litigation and regulatory investigations, proceedings or inquiries; the timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates; general economic conditions, including the risk of a prolonged economic slowdown or decline, or the risk of delay in a recovery, which can affect the long-term demand for industrial gas, engineering and healthcare and related services; potential effects arising from terrorist attacks and any consequential or other hostilities; changes in environmental, safety and other laws and regulations; the development of alternative energy resources; results and costs of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general market and economic conditions; increases in the cost of goods and services required to complete capital projects; the effects of accounting pronouncements issued periodically by accounting standard-setting bodies; conditions of the debt and capital markets; market acceptance of and continued demand for Linde's and Praxair's products and services; changes in tax laws, regulations or interpretations that could increase Praxair's, Linde's or New Holdco's consolidated tax liabilities; and such other factors as are set forth in Linde's annual and interim financial reports made publicly available and Praxair's and New Holdco's public filings made with the SEC from time to time, including but not limited to those described under the headings "Risk Factors" and "Forward-Looking Statements" in Praxair's Form 10-K for the fiscal year ended December 31, 2015, which are available via the SEC's website at [www.sec.gov](http://www.sec.gov). The foregoing list of risk factors is not exhaustive. These risks, as well as other risks associated with the contemplated business combination, will be more fully discussed in the proxy statement/prospectus and the offering prospectus that will be included in the Registration Statement on Form S-4 or Form F-4 that will be filed with the SEC and in an offering document and/or any prospectuses or supplements to be filed with BaFin in connection with the contemplated business combination. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Linde, Praxair or New Holdco has described. All such factors are difficult to predict and beyond our control. All forward-looking statements included in this document are based upon information available to Linde, Praxair and New Holdco on the date hereof, and each of Linde, Praxair and New Holdco disclaims and does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.